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From:

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To:

Cc:

Subject: RE: Bonus Dep Question

Hi . Under the facts presented, the taxpayer is entitled to bonus depreciation (assuming the bonus depreciation requirements are met). Bonus depreciation for eligible property is mandatory unless the taxpayer elects not to deduct bonus depreciation for the eligible property in a class of property (for example, 20-year property). If the taxpayer made an election not to deduct bonus depreciation for the class of property in which the "re-capitalized" costs will be included, that election also would apply to the "re-capitalized" costs.

The Service has allowed a deemed election not to deduct bonus depreciation in very limited circumstances. These are in Revenue Procedures 2002-33 and 2003-50 (for 2000 and 2001 returns) and in Revenue Procedure 2011-26 (for 2010 return). It appears that Rev. Proc. 2011-26 does not apply in this case.

If you have any further questions on this matter, please contact me.